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# Food & Nutrition

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DELIVERING BENEFITS  
ELECTRONICALLY



Teaming up for better service...

# Government Agencies Test A New Way To Deliver Benefits

A lot of employers these days, including the U.S. government, encourage the people who work for them to sign up for "direct deposit." With direct deposit, employees no longer get paid with paper checks; instead their pay goes directly to their banks, thanks to the speed and ease of electronic message systems.

Everybody wins. Employers don't have to print and either mail or hand out individual checks. Employees don't have to wait for checks to arrive, and long bank lines on payday are a thing of the past. It's easier and less costly for employers and more convenient for employees.

Now government agencies are exploring ways to use electronic technology to improve service to people receiving federal (and federally subsidized) benefits—everything from Supplemental Security Income (SSI) and Social Security, to AFDC (Aid to Families with Dependent Children) and food stamps.

Because many of these people do not have bank accounts, an important part of the effort is testing the use of plastic cards that allow recipients to withdraw their benefits from automated bank teller and point-of-sale (POS) machines and, with food stamps, to buy food at authorized grocery stores equipped with special POS terminals.

A number of projects around the country are already using electronic benefit transfer (EBT). In this issue of *Food and Nutrition*, we look at some of the food stamp EBT projects underway in several states.

Although these projects vary in scope and operation, they are all designed to help program managers evaluate the advantages and costs of using EBT with the Food Stamp Program. In all of them—from the earliest project in Pennsylvania to one of the most recent

begun this fall in New Mexico—teamwork has been essential.

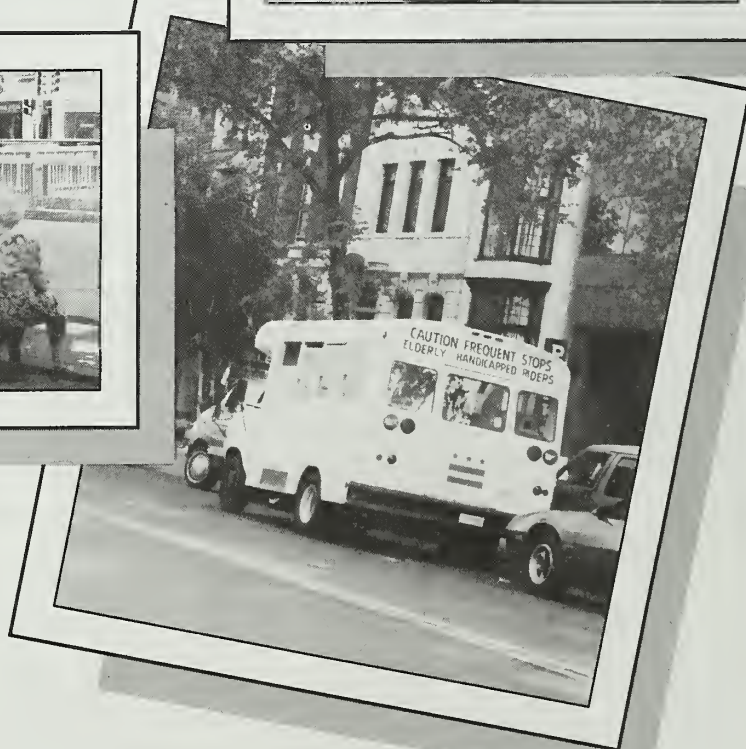
In fact, an interesting part of the EBT story is how federal, state, and local agencies have cooperated with each other and worked closely with food retailers, program participants, community groups, and financial institutions. While EBT may be "high tech," it's people working together from the ground up who make it possible.

To make sure there is also good teamwork at the federal level, the Office of Management and Budget has designated the U.S. Department of the Treasury's Financial Management Service as the lead agency in developing a government-wide EBT program. To do this, the Financial Management Service has set up an interagency work group which includes representatives from each U.S. government agency that authorizes issuance of federal benefits.

The group will share ideas and information and address many issues concerning the development, use, and marketing of EBT. The group will also do an annual progress report for the Office of Management and Budget.

The ultimate goal of the government-wide move toward EBT is to streamline delivery of benefits to people receiving more than one type of public assistance or other federal benefits. With a fully coordinated EBT system, recipients could access all of their benefits using a single plastic card, and government agencies could cut costs by reducing the duplication and expense involved in issuing benefit checks.

*People taking part in tests of electronic benefit transfer say they like the convenience of this approach. It frees them from having to wait for the mail and make special trips to cash their checks. They also feel safer because they don't have to cash their benefits all at once or worry about losing their food stamps.*





The potential savings are enormous. According to the Treasury's Financial Management Service, the federal government spends 30 cents to issue a check, compared to 4 cents for an electronic payment. Switching from paper food stamp coupons to plastic cards, many people believe, could eventually also result in savings.

Recipients gain too. In addition to saving time and trouble, they save on transportation costs. And plastic cards eliminate the fees many benefit check recipients pay to commercial cash-checking outlets.

"Some benefit recipients in Los Angeles routinely pay \$25 to cash their \$500 monthly Social Security check," states a brochure called "Electronic Benefit Transfer: A Strategy for the Future." The brochure, published by the Financial Management Service in cooperation with other agencies on the federal EBT task force, goes on to say: "All over the country, benefit recipients are paying check-cashing fees ranging from 1 percent to 5 percent of the face value of the check."

In our article on the country's first food stamp EBT project in Reading, Pennsylvania, an official from the state's department of public welfare says that in his 20 years of public serv-

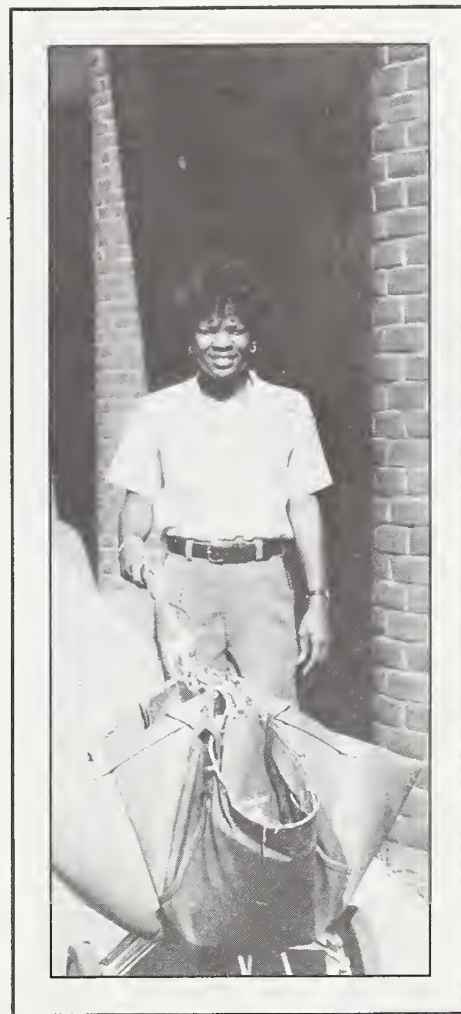
ice, EBT is one of the few projects he's seen that "everyone likes."

In the Reading article and our other articles on EBT, we'll see why EBT is so popular, how it works, and what goes into building an EBT system. We'll also look at some of the questions that still need to be answered; and some of the ways EBT offers recipients added security and, at the same time, allows government managers to make their programs more efficient and more accountable.

While our focus is on electronic benefit transfer in the Food Stamp Program, we also look at how electronic message systems are helping to modernize and improve service in other USDA food assistance programs as well. We have some interesting examples from WIC (the Special Supplemental Food Program for Women, Infants, and Children), the Commodity Supplemental Food Program, and the National School Lunch Program.

Here, too, the move towards electronics seems to be a win-win situation.

*photos courtesy of the  
Financial Management Service,  
U.S. Department of the Treasury*





# From Paper Coupons To Plastic Cards?

A series of demonstration projects sponsored by USDA's Food and Nutrition Service (FNS) is introducing low-income Americans to the cashless society of the future. And most of them like it.

The tests give food stamp recipients—including many who have never owned a credit card or opened a bank account—magnetically encoded plastic cards to use for their food shopping.

The cards eliminate the need for paper coupons, offer added security and accountability, and make it easier for grocers to get reimbursed for the food they sell to food stamp participants.

The demonstration projects use what is called "electronic benefit transfer" or "EBT." With EBT, when welfare offices determine that an applicant is eligible for food stamps, they electronically deposit the appropriate amount of benefits in an individual account held in a central computer.

At the grocery check-out counter, the cashier slides the participant's card through a specially installed reader, or "point-of-sale" terminal, which connects with the central computer. The food stamp shopper keys in a personal identification number, and if there are enough benefits remaining in the shopper's account, the computer immediately subtracts the purchase amount from it.

At the same time, the computer credits the grocer's EBT account, allowing reimbursement for the exact amount of the purchase to be sent electronically to the store's bank for direct deposit, often as soon as the next business day.

When the transaction is complete, the terminal prints out a receipt showing the participant's "food stamp balance."

While there are only a few EBT projects currently underway and a completely electronic Food Stamp Program is still in the future, interest is growing.

The EBT systems already operating are providing valuable answers about potential benefits for participants, gro-

cers, and government agencies. They are also pointing the way for changes needed to make EBT cost-effective in the long run.

For program managers interested in improving and streamlining service to people receiving more than one type of public assistance, EBT holds special promise.

### Participants welcome "move to plastic"

"By and large, program recipients have warmly welcomed the move to plastic," says Margaret Philben, who manages an EBT system that delivers AFDC (Aid to Families with Dependent Children) benefits in Ramsey County, Minnesota. Under a USDA contract, her clients' AFDC cards will soon be good for their food stamp benefits as well.

"The crucial issue is self-esteem," says Philben. "People like joining the mainstream." They also like the convenience of getting their benefits this way.

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*"After 25 years of fine tuning, the paper flows smoothly. But every step through the system takes time and carries a risk of fraud or error. We can't ignore any opportunity to reduce costs and improve the service we provide to participants."*

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For the Food Stamp Program, EBT offers the prospect of greater program integrity because the plastic cards can only be used to buy food in grocery stores. In fact, USDA Secretary Clayton Yeutter has proposed EBT as an element of the Department's strategy to reduce food stamp loss, theft, and trafficking.

The coupon system, which the Food Stamp Program has used since it began in the 1960's, is paper intensive. Usually it involves mailing "authorization-to-participate" (ATP) vouchers to eligible households, who then exchange them at banks or other authorized sites for a specified amount of food stamps.

The system generates about 2.5 billion food stamp coupons a year. In any given month, approximately 200 million coupons follow a path through 7½ million households, 225,000 retailers, 10,000 commercial banks, and 32 local federal reserve banks.

"After 25 years of fine tuning, the paper flows smoothly," says FNS Administrator Betty Jo Nelsen. "But every step through the system takes time and carries a risk of fraud or error. We can't ignore any opportunity to reduce costs and improve the service we provide to participants."

### EBT is part of a growing trend

Electronic money movement and data processing are not new. For years, FNS has distributed funds to states with electronic impulses rather than paper documents. Moreover, national, state, and local food stamp offices have automated many administrative functions for greater efficiency and security.

The breakthrough with EBT comes in using advanced electronic technology—coupled with a debit card system—to get benefits to program participants.

Most Americans are familiar with credit cards. They know they function as a promise to pay either from a bank account or through a company that extends credit. In contrast, debit cards, such as those being used in the food stamp experiments, transfer cash at the point of sale.

"The principle is similar to a checking account," says Joe Leo, FNS' Deputy Administrator for Management. "You start with an account that's full and with each transaction, you draw down the balance."



State welfare offices electronically deposit food stamp benefits in participants' individual accounts each month as long as they remain eligible. If their income or other relevant household circumstances change, and they qualify for a smaller or larger food stamp allotment, the monthly deposits will vary accordingly.

Using debit cards as a payment system is a growing trend. "The credit card revolution happened in a single decade," says Joe Leo. "I think the 1990's will see a comparable growth in debit card use."

Leo feels it's important for government agencies to be alert to developments and trends that can speed and improve service while making program operations less costly.

"We must be as forward looking as a competitive business," he says. "With today's demonstration projects, we're laying the groundwork for program operations in the 21st century."

*With the traditional paper coupon system, participants get ATP (authorization-to-participate) cards which specify the appropriate amount of food stamps for their household.*

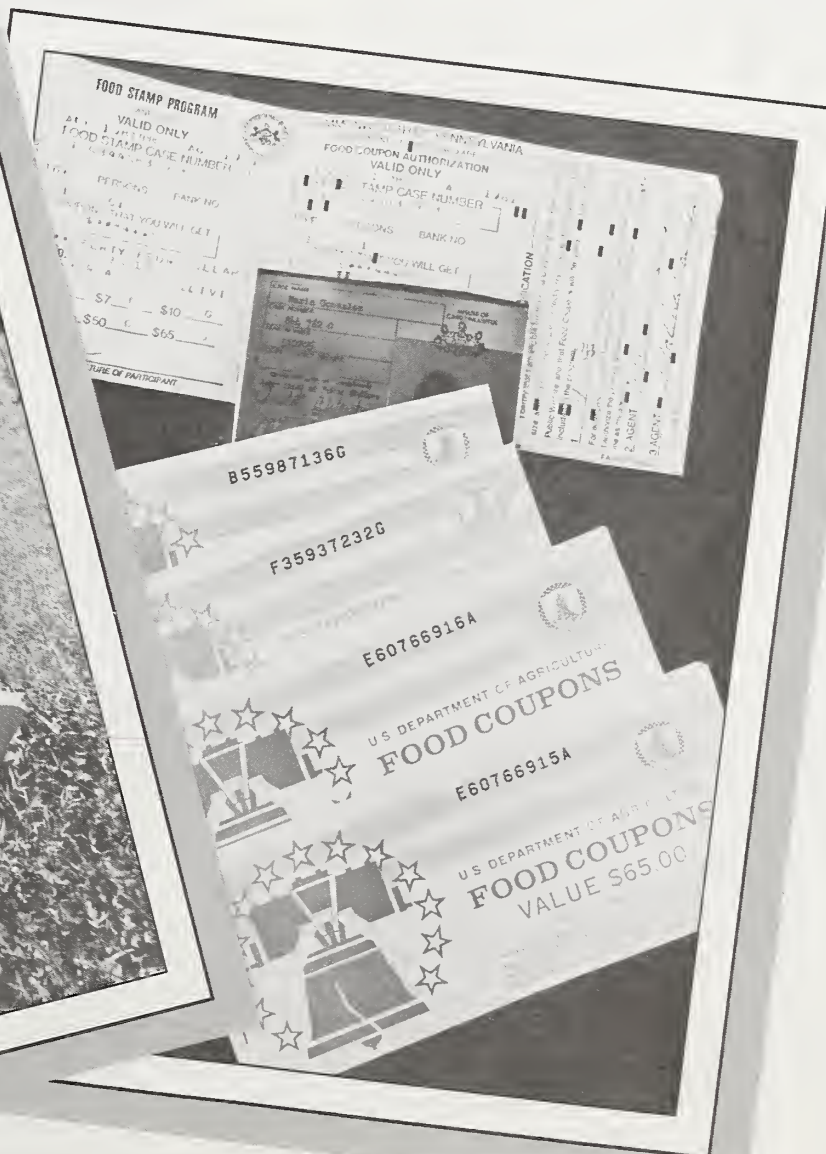
## Started with Reading project

The first test of the electronic transfer of food stamp benefits began in Reading, Pennsylvania, in 1984. In this federally operated demonstration project, which the state later chose to continue on its own, food stamp benefits were deposited in the accounts of about 3,400 households.

During the first year of operation, the project was evaluated. "We learned from these studies that the system was technically feasible and people liked it," says Bonny O'Neil, FNS' Assistant Deputy Administrator for the Food Stamp Program. "The challenge now is to make the system cost-effective."

The Reading project suggested that a larger-scale EBT system operated on a more routine basis could lower the unit costs. This proved to be the case when Pennsylvania took over the project in January 1986.

Pennsylvania's Department of Public Welfare made the EBT system part of its regular computer operations. This





change, together with administrative improvements and the addition of 500 more households to the system, did bring down unit costs.

A study of the extended demonstration was published last February. Again, EBT meant savings for clients, retailers, and banks, who strongly favored EBT over paper coupons.

Under the redesigned state-operated EBT system, the cost of issuing and redeeming benefits fell to about \$9 per household per month. While this is still three times the cost of coupons, it is only one-third the cost under the original EBT test.

### **Additional projects underway or planned**

Federal and state managers are hoping to find ways to further bring down costs with additional EBT projects that will operate in a variety of settings. In addition to some new federally funded demonstration projects, a number of states are planning or have already begun their own projects.

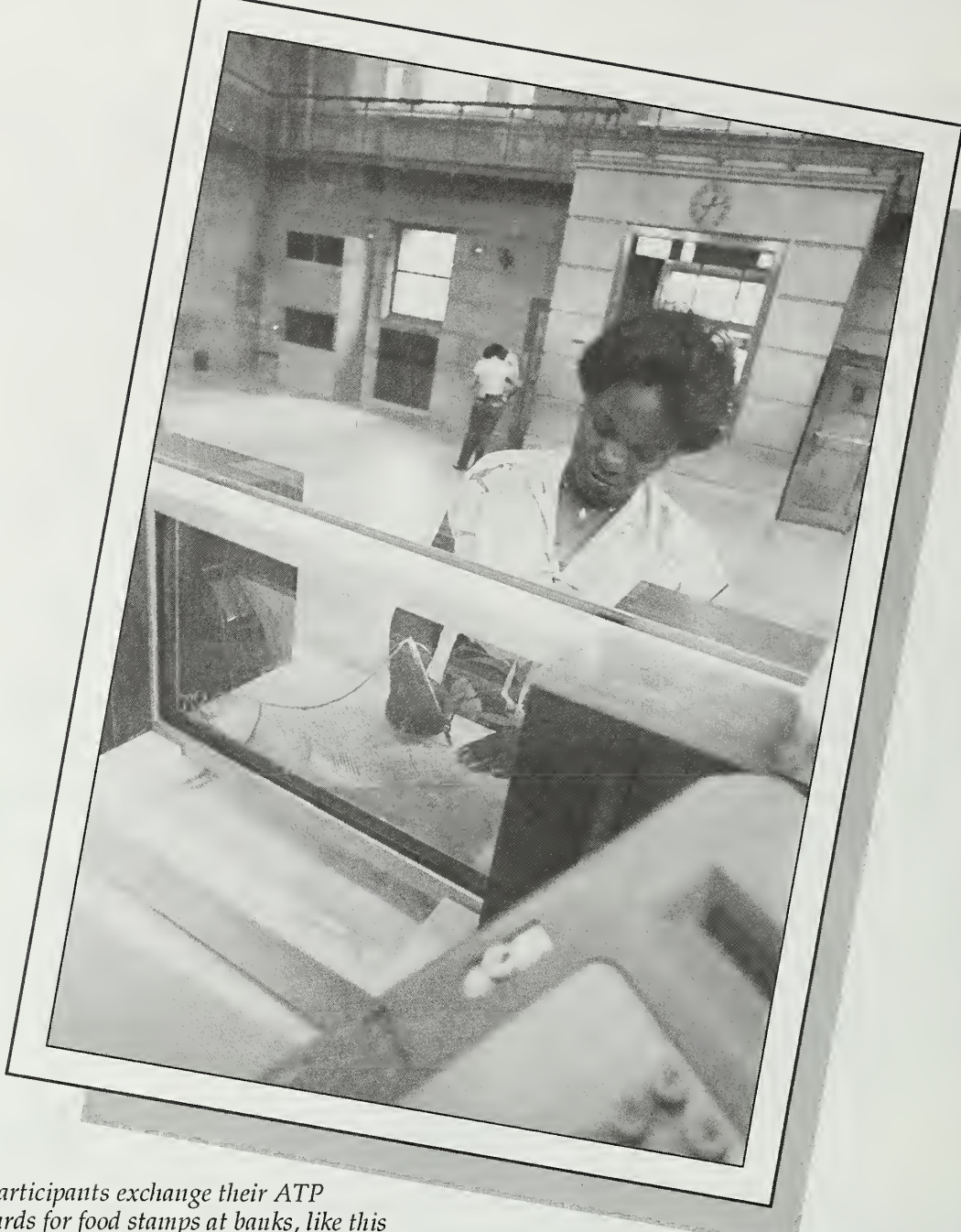
The state-initiated projects operate under waiver authority of the Food Stamp Act. This approach allows states not awarded demonstration funding to conduct their own on-line EBT tests, with permission from FNS.

"The projects are the laboratory in which we test new delivery systems in the real world," says Leo. "They will show us the break-even point—when we can give equal or better service to recipients for equal or less cost."

In 1987, USDA invited states to submit proposals for EBT demonstration projects designed to lower administrative costs by "integrating" delivery of food stamp benefits with other services, such as providing benefits to AFDC recipients, and by making greater use of commercial point-of-sale systems.

Of the four projects selected for federal funding, one began this fall in Albuquerque, New Mexico, and another, in Ramsey County, Minnesota, will start soon. Two others were cancelled in the planning stages when the states involved determined they could not conduct cost-effective tests.

Minnesota and New Mexico propose to cut costs by tying food stamp debit card systems into other welfare programs and commercial electronic fund transfer (EFT) networks. In both project areas, participants will use a single card to withdraw AFDC benefits at automated teller machines and to buy



*Participants exchange their ATP cards for food stamps at banks, like this one, or at other authorized outlets.*

food with their food stamp benefits at authorized grocery stores.

A state-initiated EBT project, begun November 1989 in the Park Circle District of Baltimore, is testing the cost impact of using a single card for food stamps, Aid to Families with Dependent Children (AFDC), and other cash assistance programs.

"The project was the outcome of close cooperation between departments and major programs at both the federal and state levels," says Catherine Bertini, USDA's Assistant Secretary for Food and Consumer Services.

Bertini, who previously administered family support programs at the U.S. Department of Health and Human Services, says the project demonstrates how this kind of careful coordination can reduce unnecessary differences in programs that serve the same people.

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*"Not only are EBT systems convenient for clients, they also help ensure that food stamp dollars are actually spent for food for needy families, and not diverted to other uses. Those are important reasons to encourage states to undertake their own cost-effective EBT projects."*

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USDA is reviewing additional proposals from New Jersey and Iowa, along with a request from Pennsylvania to expand its EBT project beyond Reading. A number of other states have also expressed interest in undertaking on-line EBT projects.

In response to this growing interest, the 1990 legislation reauthorizing the Food Stamp Program made EBT a food stamp issuance option for states, subject to USDA approval.

"Not only are EBT systems convenient for clients," Bertini says, "they also help ensure that food stamp dollars are actually spent for food for needy families, and not diverted to other uses. Those are important reasons to encourage states to undertake their own cost-effective EBT projects."

### Looking into "smart cards"

The proven feasibility of on-line debit card systems—those hooked up to central computers—has raised the question of whether "off-line" technology might have advantages. In an off-line approach, all the information for a transaction is contained in an electronic chip embedded in a "smart card."

Smart cards are already in limited commercial use. Applied to the Food Stamp Program, a smart card would carry the holder's benefit balance. With each food purchase, the card balance would be debited and the retailer's account credited through point-of-sale terminals.

An FNS study issued in 1987 found an off-line system readily possible with available technology. To gather specific information on the cost and convenience of off-line technology, FNS awarded a contract in September to the National Processing Corporation (NPC) of Louisville, Kentucky, to test an off-line system in Dayton, Ohio.

Eleven different companies had submitted proposals for the demonstration project. After an exhaustive review, FNS awarded the contract to NPC, based on the technical merit of NPC's proposal and other considerations. Another company, Laventhol and Horwath, will be evaluating the project under a separate contract with FNS.

"We're very interested in seeing what we will learn from the Dayton proj-

ect," says FNS Administrator Nelsen.

"Our main goal is to see how acceptable this approach is to food stamp participants and grocers. We'll also be looking at how cost-effective it is for the federal government and how much it cuts down on fraud."

The project is scheduled to be completed in five phases over a 3-year period. Work on phase one, which involves designing the system, is already underway. If every phase is completed on schedule, the system will begin serving food stamp participants in the spring of 1992.

### Accommodating the "real world"

While EBT tests hold great promise, change is unsettling and not wholly predictable. It affects all the traditional business relationships.

"We're operating within the regular business structure," says Bonny O'Neil. "It's only through continuing dialogue with retailers that we understand some of the issues that are very important to them because of immediate cost or long-term implications."

Former Deputy Assistant Secretary Birge Watkins discussed some of these "real world" issues at the Food Marketing Institute's annual meeting in Chicago in May. But he also emphasized the "high opportunity cost" of ignoring new technology.

"Our demonstration projects showed that EBT offers many benefits to participating retailers," he told his audience.

"Most importantly, retailers no longer have to sort, count, bundle, and redeem food stamps. As a result, retailer costs in Reading were 28 percent lower with EBT than they were before with the coupon system.

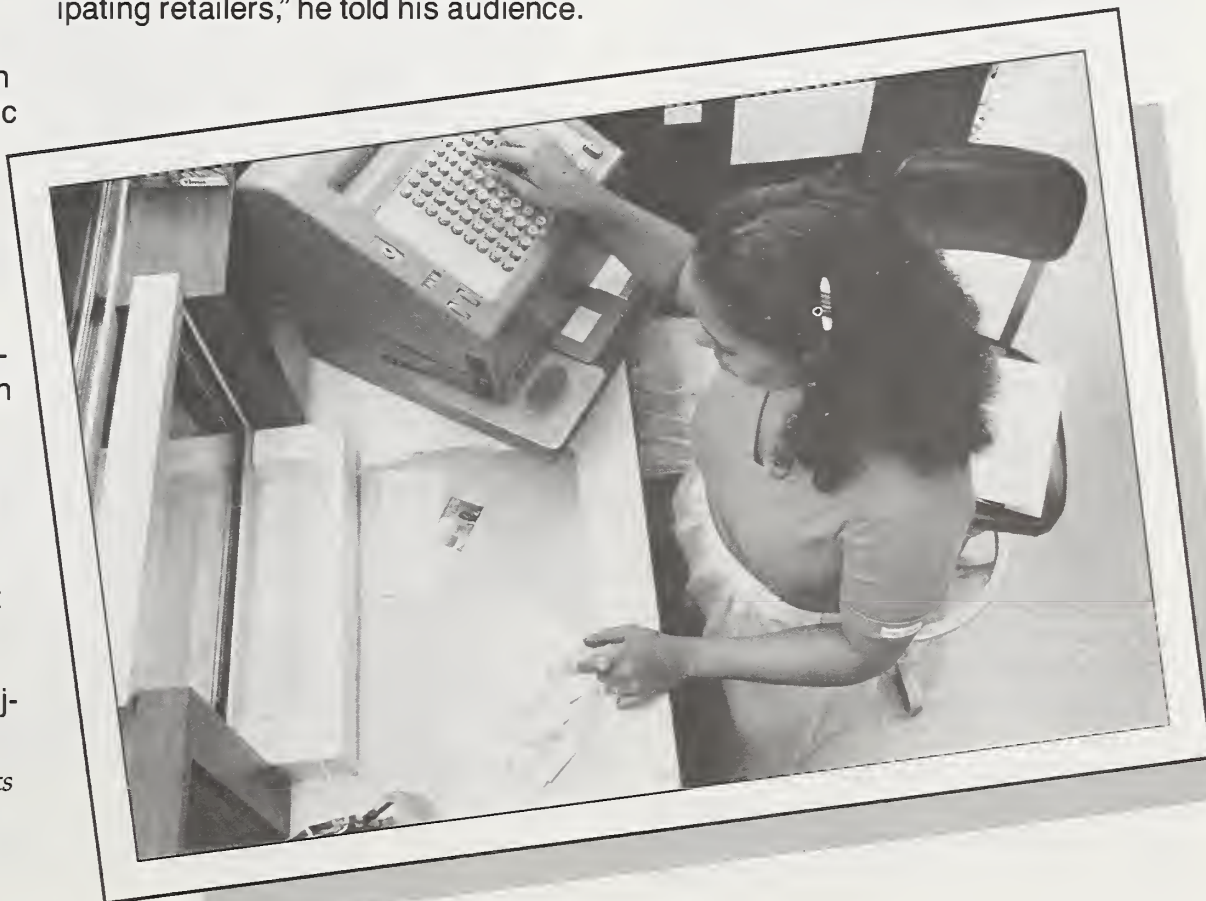
"Moreover," he said, "costs [for retailers] of participating in the existing paper-based Food Stamp Program continue to rise, while the costs of EBT are going down."

An evaluation of the Reading project and anecdotal evidence from Baltimore suggest several other advantages for retailers, Watkins added. For example, since purchase totals are subtracted in exact amounts from recipients' accounts, grocers no longer have to make cash change on food stamp transactions.

Grocers participating in project evaluations have said they like the precision and speed of EBT, which allows them to have purchases credited the next day to their stores' accounts. They also like providing a valued service to their customers.

Evaluations have also found food stamp users and banks strongly in favor of EBT. "Our clients felt that the high-tech image of a computerized system reduced the stigma of paying with coupons. And most found it easier to use," Watkins said.

"There were other practical advantages as well. Benefits were far less



*In areas using electronic benefit transfer, banks are strongly in favor of EBT. It's faster and easier than having bank employees issue food stamps by hand, as this woman is doing.*



likely to be lost or stolen. And clients no longer had to spend an estimated 48 minutes per month to go redeem an ATP voucher at designated outlets."

Banks fared even better. In fact, one motive for exploring electronic benefit transfer was growing bank resistance to issuing food stamps. Bankers often regard the time spent on issuing food stamps as time taken away from their main business.

In Reading, the bank cost of redeeming \$1,000 in benefits dropped from almost \$8 per month under the coupon system to less than a dollar under the redesigned state-operated EBT system.

### **Most problems can be resolved**

At the Chicago meeting, Watkins also addressed concerns of retailers who participate in EBT demonstration projects. In most of the problem areas identified by the Food Marketing Institute, he noted, project managers and retailers have found solutions or compromises.

However, there are still differing views on whether the federal government should pay for point-of-sale terminals and associated installation costs for all check-out lanes of participating retail stores.

Watkins noted that even if taxpayers would support the costs involved, "free" equipment for retailers would bring a high level of government intervention in management decisions most retailers prefer to make for themselves.

"Ideally," he said, "the wider introduction of EBT will be market driven, and retailer participation will be influenced by competitive pressures, cost concerns, profit potential, and customer service."

"After all, a substantial portion of retail food store customers are food stamp users. As individuals, food stamp users have low incomes; as a group, they had nearly \$12 billion in benefits to spend last year. Grocers have an interest in serving these customers better, just as we do."

Peg McNamara, EBT project director for Maryland's Department of Human Resources, says that addressing retail issues was part of the preliminary work in getting the Baltimore project off the ground.

"I'm gratified at how patient and helpful merchants have been," she says. "In turn, we've tried to accommodate their individual needs. Because many of the

grocers chose to install terminals in more check-out lanes than FNS requires, the contractor we hired to develop and operate the system worked with them on a mutually acceptable cost-sharing arrangement for the additional terminals.

"Another issue was the amount of time allowed to key information into terminals. Because a less experienced clerk in a single-lane store may need more time than a busy supermarket cashier, we adjust the terminal's response time to allow for distinct needs.

"To an unusual degree," McNamara adds, "FNS and state personnel and the contractor worked together as a team to resolve any problems. That's why we all felt a sense of accomplishment at how well things went."

### **Work on EBT will continue**

As food program managers at all levels become increasingly interested in new benefit delivery systems, USDA will continue to evaluate results of the EBT projects and to study trends in the retail food industry and financial community.

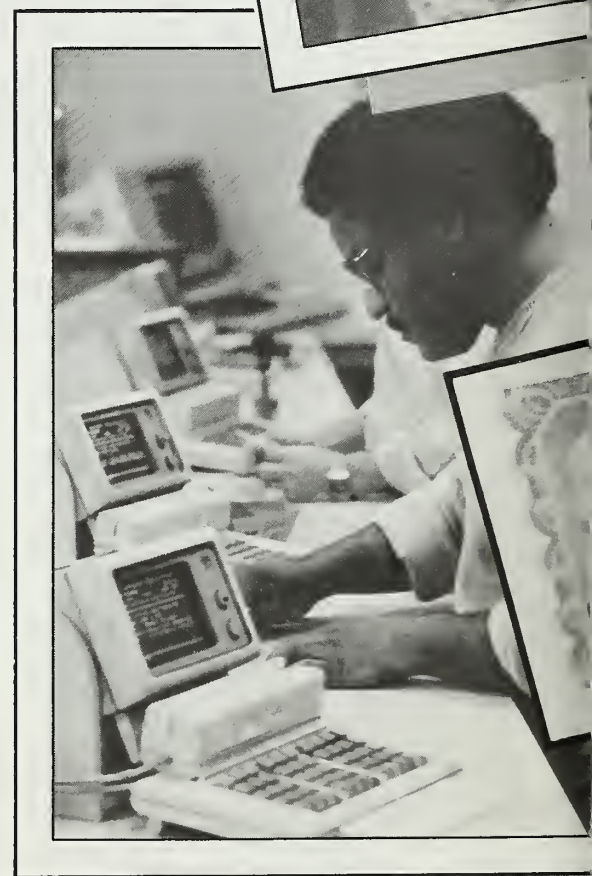
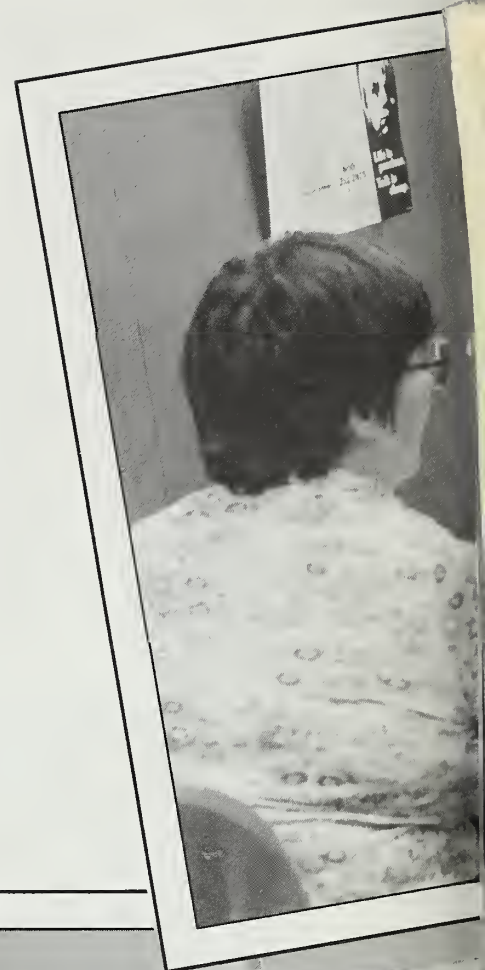
In addition to taking a close look at how the Food Stamp Program fits into an electronic environment, the Department will also be looking at how other government agencies are using new technology. USDA belongs to a network of electronic systems users in the federal government that meets regularly to share information.

"EBT is at the forefront of a rapidly changing technology," says Joe Leo. "It is difficult to predict where that technology will be in 5 or 10 years."

"However, we believe the work we are doing now has tremendous potential for transforming a rather cumbersome paper-based system into a modern, less costly, and truly streamlined electronic system."

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*article by Wini Scheffler  
photos by FNS public information staff  
and courtesy of the Financial  
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*Using electronic technology with the food programs is not new. Automation has been used to streamline everything from certifying applicants (above) to keeping track of food stamps issued (left). What is new is using electronic message systems coupled with debit cards—like Maryland's Independence Card—to actually put benefits in the hands of program participants.*



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# *EBT Still Popular With Grocers And Food Stamp Shoppers*

The large red-and-white signs in the windows of DeCarlo's Meat Market in Reading, Pennsylvania, advertise that chicken breasts, Lebanon bologna, pork chops, and bananas are on sale through the rest of the week.

Augusta Woodall likes shopping at the store on Penn Street not only because of the specials, and because it's close to her home, but also because she can use her plastic food stamp card there.

As she pushes her cart along the clean aisles leading to the check-out lanes, Woodall reaches into her purse and pulls out a small brown plastic envelope. She explains that it's a protective case for her food stamp card. The card has her photograph on it and a magnetic stripe that contains information needed to access her food stamp account.

The cashier, in a brown smock with "DeCarlo's" embroidered on it, rings up the items Woodall can purchase with her assistance card and pulls the card through a telephone terminal device. The terminal is part of the nuts and bolts of an automated system called electronic benefit transfer or, more commonly, EBT.

## **Special code accesses account**

When Woodall enters her special four-digit code on a keypad, the network accesses a central file at the Pennsylvania Department of Public Welfare in Harrisburg. The system checks Woodall's benefit total, deducts the amount of her food purchase, and immediately credits the store's EBT account. The deposit will be posted the next business day.

The transaction goes smoothly and quickly. Woodall tucks her receipt, which shows the purchase amount plus the remaining balance, into her benefit card folder.

The 68-year-old food stamp participant used to use paper food coupons until about 6 years ago when Reading was selected to participate in a trial run of the electronic system.

She says she didn't have any problems the first time she used the card because staff at the Berks County Assistance Office had shown her movies on how it would work. She says she prefers the plastic card because with it she doesn't have to worry about losing a handful of food stamps.

Outside behind the sparkling white store, owner Frank DeCarlo rolls up his shirtsleeves and starts to unload a truck full of geraniums, marigolds, and other flowering plants. He doesn't know where he's going to put them all—the stockroom is packed with canned goods and other nonperishables.

While storage space is a problem at the popular family business, EBT has eliminated some other headaches that used to be part of daily life.

## **No more counting piles of stamps**

Before EBT, when all of his food stamp customers paid with paper coupons instead of the plastic cards, DeCarlo had to count and bundle piles of food stamps and take them to an area bank. Sometimes it took as long as a week to be reimbursed.

While a few shoppers still pay with paper food coupons—most of them from neighboring locations that do not have EBT—the large majority of his

food stamp customers use the automated system. DeCarlo's clerks process about 1,000 electronic food stamp transactions in a month. The turnaround of dollars to the store's account occurs within 24 to 48 hours after each business day.

DeCarlo agrees with Woodall that there's no comparison between using the old system and the card. In addition to liking how quickly and easily he gets paid for the food he sells, he likes the photo identification required because it means added security for his customers. And, he favors not giving cash change for food stamp purchases. The electronic system figures the sale to the penny.

Woodall and DeCarlo aren't the only two people in Reading who appreciate the ease, simplicity, and speed of the electronic system. According to a study done by Abt Associates of Cambridge, Massachusetts, nearly three-fourths of the recipients and retailers surveyed liked the benefit card more than paper coupons.

## **A first for the Food Stamp Program**

While Reading's EBT system practically operates itself, setting it up was a complex process. It took a lot of planning, careful coordination, and some trial and error.

The system was the first of its kind for the Food Stamp Program, and it was often "back to the drawing board" before the bugs were worked out.

Now state operated, Reading's EBT system began as a federal demonstration project. Work on it got underway in July 1983 when USDA's Food and Nutrition Service hired Planning Research Corporation (PRC) of McLean, Virginia, to develop, implement, and operate an electronic funds transfer and point-of-sale system.

The company selected an area of Reading, within four central zip code locations, that fit USDA's very specific requirements. For 7 months, PRC worked closely with federal, state, and local level food stamp staff as well as representatives of retailer groups, community organizations, and financial institutions to develop a working prototype of an EBT system that would satisfy everyone.

Gary Rightmire, executive director of the Berks County Assistance Office, says this close working relationship was one of the most important contributors to the new system's success.





Augusta Woodall has been using an EBT card for more than 6 years. She says she likes the plastic card better than paper food coupons and has not had any problems using it. Here, she shops at DeCarlo's Meat Market, one of many Reading stores equipped with the terminals needed for serving food stamp participants with EBT cards.

"We spent a lot of time with advocacy groups, explaining the system and, in some instances, demonstrating what would happen," says Rightmire. "People are often offended by change. The immediate challenge was to gain acceptance in the community for using this new type of technology."

#### **Training materials carefully developed**

PRC and county employees devoted many hours to developing training materials for food stamp recipients and retailers. They wrote the script for and starred in an easy-to-follow 15-minute video that is still being used as a training tool. They also held special training sessions for recipients with mental, emotional, or physical handicaps.

All of the various hardware and software components had to work together,

too, and as could be expected, there were times when human error and equipment failures caused problems.

"The slow response time and downtime that are typical for a new system created frustration," says Rightmire. "There were frayed nerves on all sides. But it actually gave us an opportunity to understand everyone's perspective better."

"During the rough times, we learned to be patient with each other and to better manage crisis. Retailers learned to have faith that there would be good crisis management."

Once local agency staff encoded the benefit cards, which cost about \$2 each to produce, the system was tested. Some adjustments were needed, but within a short time, the Reading project was set to go.

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*"People are often offended by change. The immediate challenge was to gain acceptance in the community for using this new type of technology."*

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*Woodall gives the cashier her EBT card and on a keypad punches in her personal identification number. The telephone terminal connects with the central computer file in Harrisburg that contains Woodall's food stamp account.*





## Soon were serving 2,500 households

By October 1984, more than 2,500 food stamp households within a 5-mile radius of Reading were phased into the system and approximately 125 retail outlets were equipped to serve them. By the end of January 1985, another 1,000 households were added.

Because of its wide acceptance by recipients, grocers, banks, and government agencies, the EBT operation was extended as a federal demonstration project through March 1986.

By an agreement with USDA, Pennsylvania's Department of Public Welfare chose to keep running the card system beyond that time despite the costs, which were nine times more per participating household per month than the normal coupon system (including the \$2.3 million start-up cost).

However, federal and state officials believed that certain changes—such as redesigning the EBT computer program to operate as part of the state agency's computer network and serving more households—would bring costs down.

The state completed the transition by April 1988 with relatively few problems. "It was not extensive work," says Jerry Friedman, Deputy Secretary of the state's Office of Income Maintenance. "The major effort involved converting the database."

Under the redesigned system, Pennsylvania and USDA share operating costs up to a specified limit, and Pennsylvania pays any additional costs.

## Changes have been helpful

Switching to a state-operated system has been helpful in a number of ways.

"Moving the EBT file from small processing units to a much larger single one tremendously improved response time and almost eliminated account problems," says Gary Rightmire. "That change has really increased the system's credibility in the eyes of the retail community."

As project coordinators had hoped, costs have gone down. The cost of using the EBT system to provide benefits to a participating household ranges from \$5 to \$9 per month, depending on actual expenditures.

State officials think that figure will be reduced within the next 2 years. During

this time, they hope to expand EBT to the rest of Berks County, add four western counties, and include AFDC (Aid to Families with Dependent Children) payments. They also would like to piggyback on existing point-of-sale terminals at stores to keep equipment purchase costs to a minimum.

For anyone contemplating starting an electronic benefit assistance system, the seasoned federal, state, and county staff say to really think it out thoroughly. Also, they say:

- Keep reasonable expectations because it's a massive undertaking. It's easy for planners to get misled.
- Prepare the community for the change—keep retailers and advocacy groups well informed. This is helpful in avoiding resistance to the new way of doing business.
- And, bring the various partners of the project into balance in terms of cost sharing. If the project is to go forward, negotiate seriously about balancing out the costs.

## Reading project remains popular

Reading's EBT system—which now serves members of more than 5,300 households—has proved to be enormously popular with everyone involved.

Grocers like the added security and faster reimbursement possible with EBT. Recipients go through fewer steps to get their benefits. Government agencies spend less time on paperwork and battling problems caused by lost or stolen food stamps. And street trafficking in food stamps has virtually been eliminated.

What began as an idea has developed into a reliable system that delivers more than \$800,000 in benefits each month.

"In all my years in public service, and that's more than 20, EBT has been one of the few projects I've seen that everyone likes," says Friedman. "It's because of their happiness with the project that we decided to keep it."

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Harrisburg, Pennsylvania 17105-2675  
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*article and photos  
by Marian Wig*

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*"In all my years in public service, and that's more than 20, EBT has been one of the few projects I've seen that everyone likes. It's because of their happiness with the project that we decided to keep it."*

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Taking the idea one step further...

# *Maryland Gives EBT A New Twist With Its Independence Card*

Bold colorful letters playfully stacked on a water tower welcome visitors to Baltimore as they travel down Interstate 95 toward the city's glistening harbor.

This famous Mid-Atlantic seaport is a treasure for history lovers. It has some of the country's best-preserved old churches and, in its grand buildings downtown, some of the finest examples anywhere of nineteenth-century architecture.

Now, some new building is taking place in this historic city, only this time the "architects" are breaking ground of a different sort. State and local social service agencies are putting Baltimore on the map as a pioneer in using electronic technology to make it more convenient for public assistance recipients to collect their benefits.

In a project that got underway a year ago, Baltimore's Park Circle District became the first site in the nation to issue both food stamps and cash benefits for other assistance programs through the use of an electronic benefit transfer system, or "EBT."

## **A new twist to the EBT theme**

Although this is not the country's first electronic benefit transfer project, it is the first to issue multiple benefits electronically, giving a new twist to the EBT theme.

Called the "Independence System"—an appropriate name since it frees recipients from having to go from place to place to get their benefits—Baltimore's EBT project serves food stamp recipients as well as people receiving payments through AFDC (Aid to Families with Dependent Children), Child Support Enforcement, and other cash assistance programs.

One purpose of the Maryland project is to help government managers look at

the costs and advantages of an EBT system that issues multiple benefits. They will be comparing the Independence System to EBT systems issuing single benefits, as well as to the standard delivery system that uses benefit checks or, as with the Food Stamp Program, paper food coupons.

"Costs associated with operating public assistance programs are escalating, and government agencies are being challenged to cut expenses while improving service levels for recipients," says Tommy Rouse, president of ACS/TransFirst, the Dallas-based company awarded the 5-year contract to set up and operate the Maryland project.

"With the EBT system," he adds, "we will be able to assist the State of Maryland in accomplishing both of these goals." State managers originally projected savings of \$1 million over the next 5 years; they're now expecting even greater savings.

The idea for the project grew out of a request from the federal government for states that might be interested in setting up a multi-benefit EBT system that could eventually be used as a national model. Maryland's Governor William Donald Schaefer was interested and asked the Maryland Department of Human Resources, which administers public assistance programs in the state, to oversee the project.

Stan Frerking, executive director of the Office of Information Management in Maryland's Department of Human Resources, started planning for the project in the summer of 1988. Believing that everyone who had a stake in the project should be included in its planning and development, Frerking began by asking his staff to survey people who would be affected by the change.

Within a few months, state managers were ready to look for a company

to develop and operate the new system. In September, they asked for bids from interested contractors, and by the end of March 1989 had selected and signed a contract with ACS/TransFirst Corporation.

State project coordinators say they selected the Park Circle area because it had participated in past pilot programs and because they felt this district would provide the most conclusive results. The area features a cross-section of different types of people and merchants.

## **Careful coordination needed from start**

With many different federal, state, and local agencies involved in and affected by the project, careful coordination was important from the start.

All of the state and federal representatives who participated in planning the new EBT system had to make sure it would meet their agencies' policy standards and, at the same time, be fiscally sound. In the beginning, this posed some problems but the project began to come together in August 1989 when some people from the federal Office of Management and Budget helped negotiate between the different groups.

There were also some initial problems with the language used with new technology. After a short time, however, the terminology became second nature to the group. So did working together.

According to Peg McNamara, project director for Maryland's Department of Human Resources, the teamwork was phenomenal—and crucial. "It's the most amazing project I've ever worked on," she says. "The planning stage was like a house of cards: if one agency had withdrawn its support, the project might have failed."

"What's great about the Independence System is that it gives participants more control and more flexibility," says McNamara. "For example, most AFDC mothers don't have personal bank accounts. So when a benefit check arrives in the mail, they have to cash it for the full amount."

"This not only makes them more vulnerable to having their benefits stolen, it also makes it more difficult for them to stretch their benefits out over the month. With the Independence Card, they don't have to carry around a lot of cash. They can withdraw their benefits in small amounts several times throughout the month."



"And, since they use the same card for food stamp purchases," she adds, "they don't have to worry about having their food stamps lost or stolen either."

### Every participant receives a card

All of the participants in Baltimore's EBT project receive their own Independence Card. If they have a personal bank account and want their AFDC or other cash benefits deposited into it, they can ask the state to do this.

They can then withdraw their benefits as they would any other deposit. Or, like participants who do not have personal bank accounts or who do not wish to use them for this purpose, they can withdraw their benefits from any MOST automated teller machine in the state. (MOST is the name of one of several major commercial electronic banking networks used in Maryland and other states.)

If participants are also receiving food stamps, they use the same card to buy food. All of the stores that accept food stamps in the Park Circle District have been equipped with EBT terminals in their check-out lanes. These point-of-sale terminals are

hooked up to the central computer file set up by ACS/TransFirst in Dallas.

To access this central file, the cashier runs the participant's card through the terminal and enters the amount of the purchase. The food stamp shopper punches in a personal identification number, or "PIN," on a keypad. If the participant's "PIN" and other identification numbers match, and if there are enough food stamp benefits remaining, the transaction is authorized within seconds.

The amount of the purchase is subtracted from the participant's food stamp allotment, the grocer's account is credited, and the EBT equipment prints out a receipt showing both the amount of the purchase and the participant's balance.

"In some instances," says Peg McNamara, "stores will also permit Independence Card users to withdraw their AFDC or other cash benefits as well. This means participants can shop for food and collect their AFDC benefits in one stop.

"However, grocers are not required to do this. It's their choice, depending on considerations such as how much cash they have on hand."

And, McNamara adds, while grocers may, in effect, "cash" participants' AFDC or other benefits for them, they never provide cash for food stamp transactions. All food purchases are deducted from participants' food stamp accounts in exact amounts—cash change is not given as it is with paper food coupons.

"And, of course, as with the regular Food Stamp Program, it is illegal for grocers—or any one else for that matter—to exchange food stamps for cash," McNamara says.

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*"The project has gone extremely well. Store owners have had few complaints and clients are quite receptive to the project and enjoy the immediate access to their benefits."*

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A grocer at Baltimore's Lexington Market slides a food stamp shopper's Independence Card through the point-of-sale terminal at his cash register.





### **Speed is built into the system**

Speed is built into the system. When a participant makes a food stamp purchase or withdraws cash benefits, information on the transaction travels immediately from the grocer's point-of-sale terminal or the automated teller machine to the central computer file in Dallas.

Teaching participants and store personnel how to use the new system was an important part of initial preparations. Project coordinators set up training sessions for card users at the centrally located Mondawmin Mall in the Park Circle District, and arranged for store retailers and clerks to be trained in their own supermarkets.

"The goal of the training sessions was to teach each group how the system operated and to relieve any fears they had about using it," says McNamara.

ACS/TransFirst subcontracted with Grocers' Electronic Network Service (GENS), a division of the Mid-Atlantic Food Dealers Association, to aid in the installation of equipment and to train the storeowners and clerks in using the system.

ACS/TransFirst hired retired Baltimore teachers to train participants. The teachers were able to pinpoint and address illiteracy and other learning problems the clients had with the new system. Equipment was on hand so clients could practice using the new procedures.

### **"Project has gone extremely well"**

Maryland's EBT project has operated with hardly a hitch. When the pilot project began in November, approximately 500 households were participating. A few months later, the project had expanded to include approximately 4,500 households and 150 stores.

After the project's trial period and evaluation are concluded, Maryland's 250,000 public assistance, food stamp, and child support recipients will gradually be phased into the system.

"The project has gone extremely well," says Stan Frerking. "Store owners have had few complaints and clients are quite receptive to the project and enjoy the immediate access to their benefits."

Gene Loar, manager of Farm Fresh Supermarket in the Park Circle District, says all his clerks like using the EBT system because it is actually easier for

them to use than processing the food stamp coupons. Loar's store averages about \$723,000 in food sales a month and redeems approximately \$156,000 in food stamps.

Mike Mann, manager of office systems and programming for the Giant Food Supermarket chain, says the EBT system makes his job easier, too. "No more dealing with checks and food stamps," he says.

The thoroughness of the training sessions greatly reduced the amount of problems clients and retailers experienced in switching over to the new system. The few initial difficulties involved the communication lines from the stores in Baltimore to the main computer in Dallas.

For example, Mann has EBT terminals installed in 10 check-out lanes. Originally, each terminal had its own phone line. Transactions had to go separately through these lines to Texas and back. This somewhat slowed the check-out process. Working with TransFirst, Mann is testing a piece of phone equipment that consolidates the 10 lines into 2 to help eliminate this problem.

Gene Loar estimates his store generates 100 to 150 EBT transactions per day during peak hours. In the beginning, Loar found that in some cases, food stamp transactions were causing customers a longer wait in the check-out line. However, according to Peg McNamara, Loar and most other retail-





ers are finding that new equipment being tested in the stores is taking care of this problem. "And," she adds, "everything is faster, too, because people are now familiar with the system."

### **Results will be evaluated**

As Maryland officials work on fine-tuning their Independence System, representatives from other cities and states are expressing interest in setting up similar EBT operations. A number of them have already visited Baltimore's EBT project for ideas and information.

The future for development of more multi-benefit EBT projects depends on a number of factors, including an evalu-

ation of Maryland's Independence System and its cost-effectiveness.

"Evaluation of the Maryland project will help determine the potential nationwide use of electronic fund systems," USDA Assistant Secretary Catherine Bertini says. "Projects such as this will provide the knowledge and experience needed to move this technology in the future," she adds.

While nationwide expansion may not be just around the corner, the advantages of the Independence System are certainly here and now for Park Circle residents.

Carolyn Colvin, Secretary of the Maryland Department of Human Resources, says, "We believe our clients should not get bogged down with unne-

cessarily complicated and expensive procedures just to get the benefits to which they are entitled."

That's something everyone seems to agree on and making it happen is what the Independence project is all about.

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*article by Kim Jabat  
photos by Pamela Faith*

*Opposite page: An important part of initial preparations was putting together training sessions for food stamp participants. Below: Maryland Department of Human Resources Secretary Carolyn Colvin (second from left) is pictured with a few of the more than 100 federal, state, and local officials who came to Baltimore for the kick-off of the EBT project.*



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*"What's great about the Independence System is that it gives participants more control and more flexibility....With the Independence Card, they don't have to carry around a lot of cash....and they don't have to worry about having their food stamps lost or stolen either."*

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Using a multi-service approach...

# New Mexico Tests Ways To Lower Cost Of Using EBT

At Smith's Food Center on Fourth Street in Albuquerque, October 24 was no ordinary business day. The large modern grocery store, which serves a substantial number of Food Stamp Program participants in central New Mexico, was the chosen site for the official opening of the state's electronic benefit transfer (EBT) project.

Government, business, and community leaders were gathered to cut a wide ribbon swathed across a section of the check-out counters.

FNS Administrator Betty Jo Nelsen flew in from Washington to emphasize the high interest of both President Bush and Secretary Yeutter in using sophisticated technology to deliver public assistance more efficiently.

"The Senate and House conferees on the Farm Bill accepted an Administration proposal to allow states to choose EBT systems approved by USDA as an operational alternative beginning in 1992," she reported, of the bill that subsequently passed both houses of Congress.

"I commend New Mexico's Human Services Department (HSD) for its role in getting in on the ground floor of an exciting development in the Food Stamp Program."

## Looking at ways to bring down costs

A primary purpose of New Mexico's EBT project, which is receiving special funds as an FNS demonstration, is to test ways to reduce the administrative costs of EBT systems.

A unique feature of the New Mexico project is the option retailers have to choose either single-purpose EBT terminals—to be used only for program benefits—or multi-purpose terminals, to be used for both public assistance benefits and commercial applications.

Project manager John Waller says the experience will offer states a prece-

dent in building on existing commercial systems. "In my view," he says, "the piggybacking approach is the key to making EBT cost-effective for state and federal governments."

"The larger chains want terminals that will fit all their customer needs," he adds. "This project is the first to work out this kind of arrangement among government administrators, bankers, grocers, and systems specialists."

In addition to cutting costs by piggybacking on commercial point-of-sale systems, New Mexico also expects to lower administrative expenses by using the same EBT system to serve several different benefit programs.

This is being done through a contract with the First National Bank in Albuquerque, which will use its computer equipment to operate the EBT system. The system will issue food stamp benefits and AFDC (Aid to Families with Dependent Children).

## Easier to use in many ways

The new EBT system, which is being phased in gradually, currently serves 2,124 food stamp households. All 15,000 Bernalillo County food stamp households will be converted to EBT by March 1991. Bernalillo County includes Albuquerque and some small surrounding communities.

For the official opening October 24, food stamp recipient Linda Tapia, an Albuquerque resident and mother of three children, was asked to demonstrate how the new system works. As she pushed her cart through the aisles selecting food she would purchase with her new EBT card, former Governor Garrey Carruthers accompanied her.

The Governor, who had been a faithful supporter of the project through the complex negotiations that brought EBT on line, found that Tapia was looking forward to using the new food stamp

card. She told him she was also glad to be taking part in the state's Project Forward, an employment and training program that helps welfare recipients become self-sufficient.

At the check-out counter, the Governor showed Tapia and other guests how the newly installed EBT terminals could handle, with equal ease, his private credit card or her EBT card.

The comparison made the point, effectively, that Tapia also put in words. Low-income shoppers, she said, often feel a social stigma when they present food stamps to grocers in view of other store customers. The new system "is going to make some of us . . . not so afraid to come to the store," she said.

Another strong message from the high-spirited ribbon-cutting ceremony was the power of cooperation.

"EBT would not have become a reality in New Mexico without the spirit of cooperation and compromise demonstrated by retailers, the bank, FNS, and HSD," says Waller. "We went through some tough times, but there was a lot of give and take on the part of everyone involved."

"And," he adds, "everyone worked together effectively to overcome any problems. We are proud to be on the cutting edge of technology in the human services delivery system."

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*article by Wini Scheffler  
photos courtesy of the New Mexico  
Human Services Department*

*New Mexico's EBT project has generated a great deal of interest. Above: In a photo from the opening ceremony, former Governor Garrey Carruthers (left) greets food stamp participant Linda Tapia, who had been asked to demonstrate how the new system works. Below: A cashier holds up an EBT card for newspaper and television reporters covering the opening.*





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*"We are proud to be  
on the cutting edge of  
technology in the hu-  
man services delivery  
system."*

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Participants get "instant" WIC coupons...

# Everything's Faster With Illinois' New Automated WIC System

"From the Stone Age to Star Wars." That's how Illinois WIC director Jim Nelson describes his state's recent conversion to a new computer network system.

If his statement at first seems like hyperbole, to Illinois WIC administrators, community workers, and low-income mothers getting food help for their babies, the new system does seem to operate at lightning speed and with heroic results.

With 450 PC's ("PC" stands for "personal computer") and printers networked at 180 locations throughout the state, the new system has revolutionized the way Illinois serves its 200,000 WIC participants.

Using the system, local WIC staff can quickly determine applicants' eligibility, complete the necessary certification, and within seconds, print out the food vouchers participants will use to

buy individually prescribed food supplements at authorized grocery stores.

## Improves service in many ways

In addition to being able to produce "instant" WIC food coupons, the system has scheduling capabilities that eliminate the long delays that used to frustrate program participants and local staff alike.

Developed over a 2-year period by Andersen Consulting, of Arthur Andersen and Company, the \$4.5-million project replaces an "automated batch system" set up in 1980. The earlier system, which had eventually backlogged clients, required local WIC nutritionists and clerks to hand-write clients' food coupons and "batch" data for later transmission to a central data system.

"Information was in transit constantly," says Nelson. It was taking

2 months to get a client officially authorized.

Besides eliminating long delays for participants, the new system also speeds reimbursement to grocers, and allows state and local agencies to run better and more efficient WIC programs. The savings that result can go into improving client services, such as nutrition education, and into reaching more mothers, infants, and children who qualify for WIC benefits.

Getting the most for every WIC dollar is important to program managers for several reasons. Unlike the Food Stamp Program, the Special Supplemental Food Program for Women, Infants, and Children, as WIC is officially named, is not an "entitlement" program. This means that not everyone who is eligible is guaranteed benefits.

Congress appropriates a certain amount of money for WIC, and USDA's Food and Nutrition Service (FNS), which administers the program nationally, divides these federal funds among states according to a formula based primarily on need. States use their WIC grants to serve as many people as they can, serving first those who are at greatest risk nutritionally.

## Participants' needs carefully assessed

Pregnant women, new mothers, infants, and children up to age 5 can qualify for WIC if they have low incomes and are "at risk" because of inadequate diet or health problems. In addition to supplemental foods, they receive nutrition education and counseling, and referrals to other health services.

The particular combination of WIC foods participants receive depends on their age and nutritional needs. Foods provided through WIC include milk, cheese, infant formula, eggs, cereal, juice, and peanut butter or beans.

USDA's Assistant Secretary for Food and Consumer Services Catherine Bertini recently experienced Illinois' new computer system firsthand during a visit to the Bethel Wholistic Health Center in Chicago.

*Opposite page and left: Using the new system, local WIC staff can quickly determine an applicant's eligibility, complete the necessary certification, and within seconds print out the vouchers she will use to buy WIC foods. The system allows staff to provide better service to their clients, such as this newborn baby (top right).*







Interested in seeing what a typical appointment is like for a WIC mother, Bertini went through the entire process. During her interview, a WIC nutritionist entered her health statistics into the office computer and, after completing the necessary health screening, gave Bertini an introduction to nutrition education.

Then, the Assistant Secretary watched as the system printed her WIC vouchers. Impressed with the speed and accuracy of the procedure, she joked that it provided more information than she wanted. "For example," she said, "it told me that if I were pregnant, I might be at risk because of my age!"

If Bertini had been a real WIC participant, the computer would remember from visit to visit important information about her. With the new system, a local WIC nutritionist can easily monitor the health of a mother or her baby. The health data is captured during each visit, tracking the participant's nutrition education, attendance, and progress.

#### **System also helps grocers and managers**

Better monitoring and faster service are not the only improvements the new system brings. Dave Mikelson, who was until recently director for supplemental food programs for the Food and Nutrition Service's Midwest region,

says the changeover has resulted in dramatic management improvements.

"Not only did the old system mean longer waits for WIC clients and more work for local WIC staff, it also meant up to a 30-day wait for vendors needing to be reimbursed for the food they had sold to WIC participants," he says.

With the new system, WIC vouchers are printed on check stock and WIC retailers directly deposit them into their local banks. This reduces reimbursement time from an average of 6 weeks to same-day service.

In addition, says Mikelson, who is now FNS' Midwest regional food stamp director, virtually every WIC voucher cashed will reconcile to a voucher issued.

Mikelson cites coupon reconciliation and dual program participation with its "sister program," the Commodity Supplemental Food Program, as persistent problems under the old system and the main impetus for change.

As Illinois' WIC director Nelson explains, the conversion to the new system also included converting to a new banking system for redemption of food coupons. By contracting with a single bank to clear all food vouchers, the state gained an advantageous check-processing and clearing contract that potentially can save as much as \$750,000 a year.

"Our banking contract makes a big difference," says Nelson. "To process 10 million WIC checks a year, a favorable check-clearing fee can mean real savings. And, more savings mean more money for things like nutrition education and breastfeeding promotion and less money spent on administrative costs."

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*"Not only did the old system mean longer waits for WIC staff, it also meant up to a 30-day wait for vendors needing to be reimbursed for the food they had sold to WIC participants."*

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### **Daily reports make budgeting easier**

Additional savings and improvements come from the system's ability to quickly gather and consolidate information. This makes planning and budgeting easier and helps program managers spot significant trends in participation and costs.

At the end of each day, using a telecommunications network, the system consolidates information from every corner of the state. The automatic "nightly dialogue" by the system's mainframe computer merges data from all 180 WIC sites and tracks WIC client demographics, monitors health trends, and prepares food cost data.

"Food cost reports used to be 3 to 4 months old," says Nelson. "Now the state can get reliable, timely data on a daily basis."

Nelson attributes the successful conversion to the new system in helping the state avoid some of the problems experienced by other states during recent food price increases. While some states had difficulty recertifying some WIC clients due to in-

creased cost of the WIC food package, Illinois not only maintained caseload levels, but continued to grow.

FNS' Dave Mikelson agrees that the system's ability to provide daily reports of expenditures is a vehicle for good caseload management. And he thinks the Illinois' experience can point the way toward enhanced WIC management for other states.

### **Project coordinators pleased with results**

Many people worked together on putting the new system into place. It's not surprising they're proud of the results.

"This was one of the most leading-edge projects we've ever done," says Arthur Andersen project manager John Warren. He attributes the system's initial success to the way state and federal staff insisted on involving people at all levels of the WIC structure.

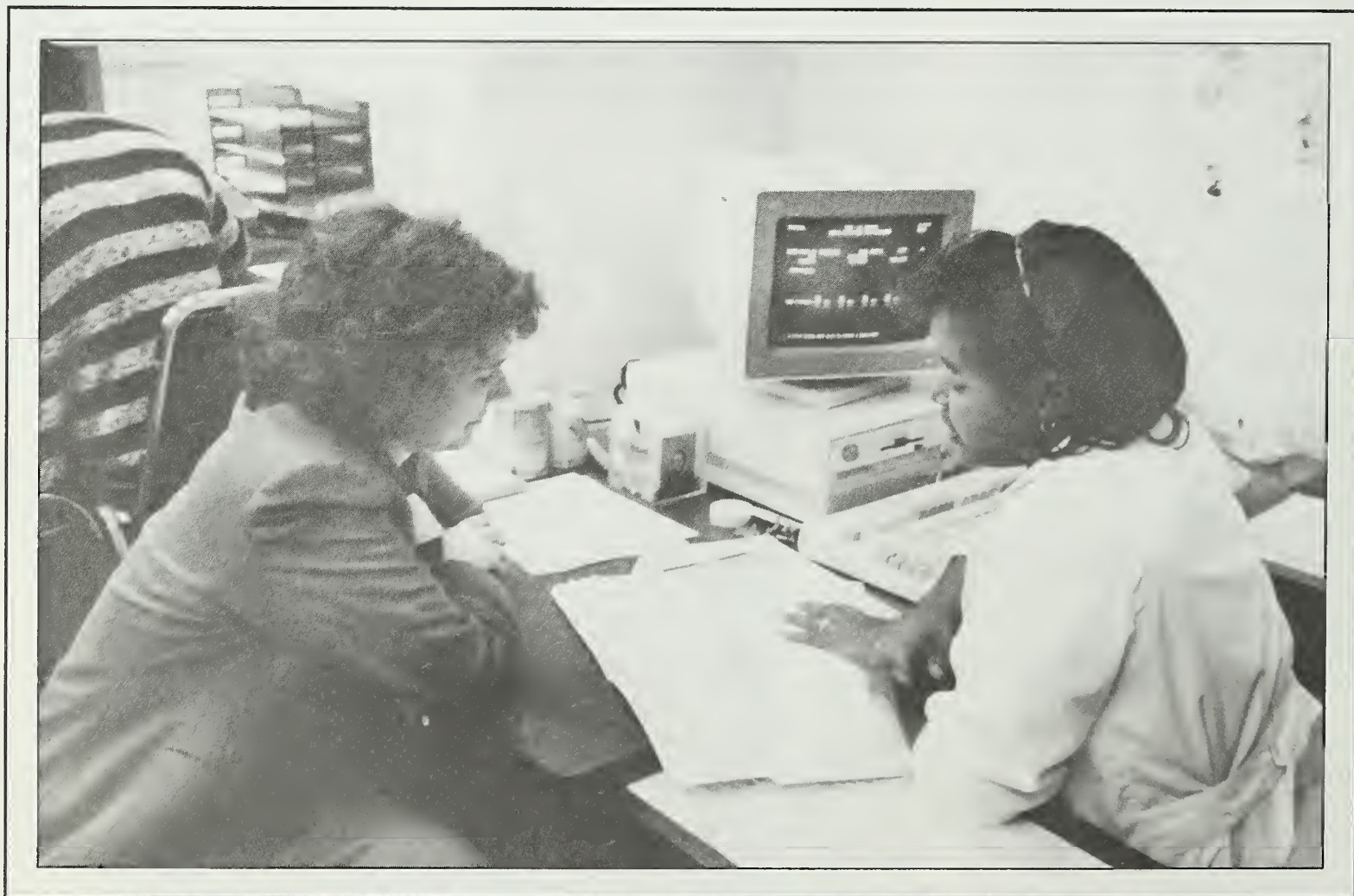
"There was a very strong working partnership among the state and federal people, and positive involvement at all levels, from a Chicago clinic serving 10,000 clients to a small rural clinic serving 100," says Warren.

The thorough training local WIC staff received on how to use the system was another key factor in its success. "We trained 1,200 technicians, nutritionists, nurses, and clerks throughout the state," says Nelson. "We also set up two 'WIC universities' in Chicago and Springfield for training. People who had never used a computer before were comfortable after just 2 days of training."

The Illinois Department of Public Health assigned special staff to help during conversion to the new system. "We had training staff camped out all over the state, with portable computers to train local agencies," says Nelson. Their goal, he adds, was to finely tune the system and get everyone excited about using it as well as proficient in working with it.

### **Staff like the added flexibility**

WIC clerk Liz Davis works in a Joliet, Illinois, health clinic. A former WIC participant herself, Davis had never before used a computer. "It took a couple of days to get used to it," she says. "The





00118552

ILLINOIS DEPARTMENT OF PUBLIC HEALTH  
535 W. JEFFERSON ST.  
SPRINGFIELD, IL 62761

SEQUENCE NO. 00118552 WIC ID NO. 005-0000019 NAME OF PARTICIPANT NANCY

SPECIAL SUPPLEMENTAL FOOD PROGRAM  
FOR WOMEN, INFANTS & CHILDREN (WIC)

2 GALLONS MILK  
3 46 OZ CANS OR 12 OZ FROZEN JUICE  
1 DOZEN EGGS  
1 18 OZ PEANUT BUTTER OR  
1 LB PACKAGE DRIED BEANS OR PEAS  
36 OZ OR LESS IRON-FORTIFIED CEREAL  
\*\*\* \*\*

ILLINOIS NATIONAL BANK SPRINGFIELD, IL 62701  
SIGNATURE OF PARTICIPANT OR AUTHORIZED PROXY  
*Nancy Brown*

70-32  
711

FIRST DAY TO USE 12/27/89

LAST DAY TO USE 01/27/90

PACKAGE 100 1

AGENCY/SITE \*\*\*\*\*

MAXIMUM VALUE \$29.60

ACTUAL \$  
AMOUNT OF SALE 21 47

VENDOR MUST  
DEPOSIT WITHIN  
60 DAYS FROM FIRST-  
DAY-TO-USE DATE

PAY TO THE ORDER OF  
VOID

91

00118552 071100324 00 007 293

Opposite page: Interested in seeing what a typical appointment is like for a WIC mother, USDA Assistant Secretary Catherine Bertini went through the process during a visit to a Chicago clinic. Above: Illinois' WIC vouchers are now printed on check stock.

first day was almost panic. I was going to quit. But now I like it. It gives you much more control."

Having more flexibility and control is tremendously helpful to local staff. "Before," says Davis, "we had to hand-write all food coupons. We couldn't adjust them for special needs—the coupons were for generic food packages only."

Preparing the coupons was complicated and time-consuming. "Writing coupons for a mom and three kids would sometimes mean 12 pieces of hand-written paper," says data entry clerk Patty Galvan.

"And," she adds, "we used to have 700 clients waiting on the first coupon issuance day of the month." Now, Davis and Galvan can schedule clients' for a specific appointment each month.

At a recent Illinois WIC conference, February 1991

program staff wore buttons that read: "I survived conversion." From all accounts, they're glad they did. So are the mothers and children who come to them for help, and the grocers who accept WIC food vouchers at their stores.

And state managers? They're having fun talking about what they can do with their new system. It's happening now in Illinois.

For more information, contact:  
James Nelson, Chief  
Health Screening and Assessment  
Illinois Department of Public Health  
535 W. Jefferson Street  
Springfield, Illinois 62716  
Telephone: (217) 782-2166

article and photos by  
Lawrence Rudman

"We trained 1,200 technicians, nutritionists, nurses, and clerks throughout the state. ...People who had never used a computer before were comfortable after just 2 days of training."



Like shopping at a supermarket...

# Bar Coding Helps Streamline Delivery Of Commodity Foods

Electronic technology is speeding service for participants in USDA's Commodity Supplemental Food Program [CSFP], too.

At the food distribution center run by the Detroit-based nonprofit organization "Focus: HOPE," a supermarket set-up had already freed CSFP participants from waiting in a food assistance line. With the recent addition of bar coding on package labels, participants are finding that picking up their USDA commodities is even more like shopping at a modern grocery store.

CSFP, like WIC, provides supplemental food help to low-income mothers, infants, and children. CSFP operates on a much smaller scale than WIC, however, and it provides USDA-donated foods instead of food coupons. In addition, 12 of the 20 state agencies operating the Commodity Supplemental Food Program serve low-income elderly people as well as mothers, infants, and children.

A variety of nutritious foods are provided through CSFP, including: iron-fortified infant formula; infant rice cereal, cold cereal, and farina; canned fruits, vegetables, and juices; evaporated milk and nonfat dry milk; egg mix; rice and dehydrated potatoes; canned meat and poultry; and peanut butter and dry beans.

## A better, more accurate system

Denise Graham is one Detroit mother who participates in CSFP at Focus: HOPE. Each month she pushes her grocery cart along the brightly lit aisles, selecting food for the CSFP participants in her family.

"I collect the food and bring it to the counter to be checked out just like at a regular grocery store," Graham says. When she gets to the check-out counter, an electronic scanner "reads"

the bar codes on her packages. Within minutes, she's ready to go home.

The computerized bar coding system has not only improved service for CSFP recipients, it has also revolutionized inventory and accounting operations for Focus: HOPE staff.

The employees and volunteers at Focus: HOPE distribute thousands of tons of USDA commodities each year through the Commodity Supplemental Food Program. Last year, they distributed more than 13,000 tons of food to more than 70,000 senior citizens, mothers, and children in three Michigan communities—Detroit, Pontiac, and Inkster.

"That's a lot of food to keep track of," says Focus: HOPE food program manager Ben Anderson.

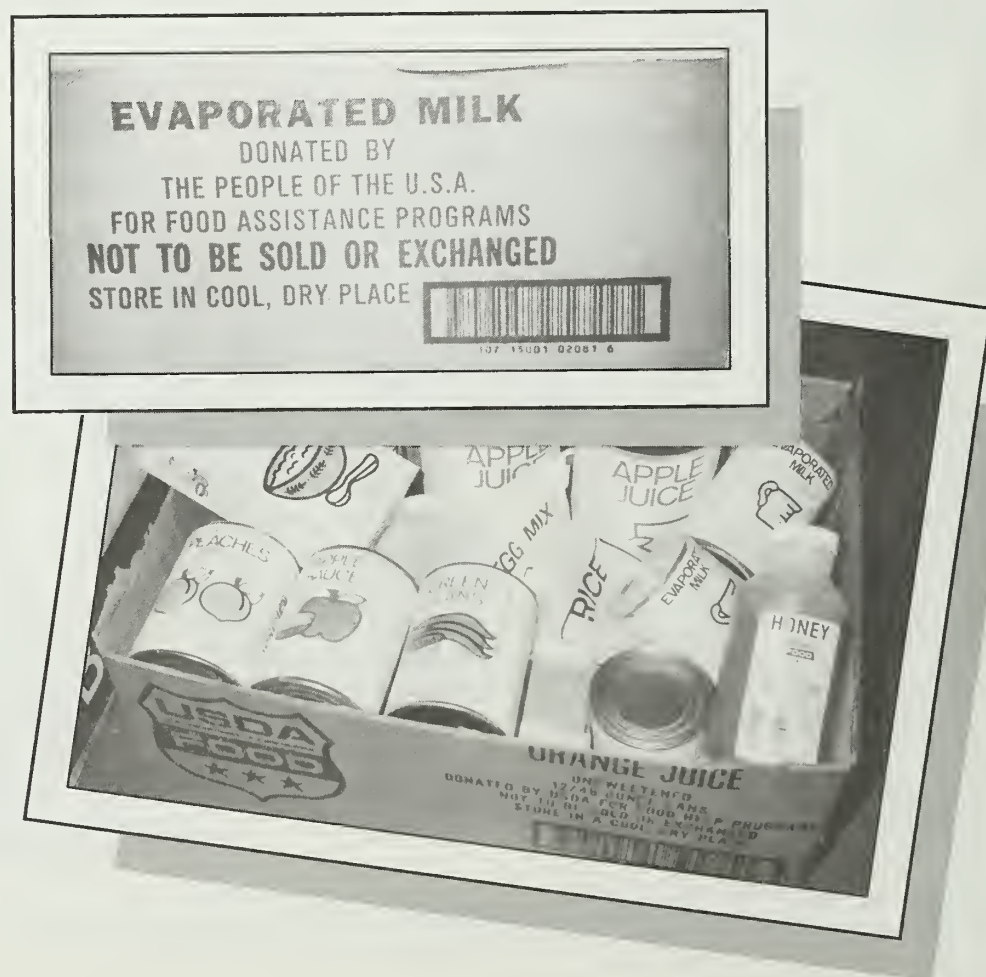
Founded in the late 1960's as a civil rights organization, Focus: HOPE now serves low-income citizens with job training as well as food assistance. As it has grown, Focus: HOPE has had to find better, more accurate ways of distributing food and accounting for inventories.

This is a problem faced by many local CSFP projects all over the country. CSFP agencies distribute food in a variety of ways depending on each agency's own food delivery system. For many years, most local agencies have used basic manual counting and recording systems, which are time-consuming and error-prone.

## FNS staff come up with idea

At the Food and Nutrition Service's Midwest regional office in Chicago, two food program specialists—Jack Klecka and Mike Drew—were convinced bar coding could help.

FNS is the USDA agency with federal responsibility for CSFP. FNS staff provide technical guidance as well as administrative support to the state and local agencies that operate CSFP projects.





"With bar codes," says Klecka, "each food item can be 'read' and counted by an electronic scanner as it leaves inventory. We knew this could improve accountability and help save on administrative costs because staff time would be used more efficiently."

Although not a new technology, bar coding had not been widely applied to government food assistance programs. Klecka and Drew believed it would streamline the food delivery system at every step. "We knew bar coding all commodities could improve the accuracy of physical inventories all the way from the Kansas City Commodity warehouse right down to the state and local level," says Drew.

When FNS Washington and regional staff decided to test using bar coding with CSFP, they chose Focus: HOPE as the pilot site. According to FNS Midwest regional administrator Monroe Woods, Focus: HOPE was a natural choice for several reasons.

For one thing, being the largest CSFP site in the nation, Focus: HOPE had the greatest need for automation. Also, the organization's directors wanted to automate their commodity distribution process. And, Focus: HOPE had the resources, expertise, and facilities that would be needed to modify and evaluate computer software for use with bar-coded commodities.

In May 1988, Ronald Vogel, national director of FNS' Supplemental Food Programs Division, announced to regional directors that the agency had contracted with commodity food processors who package USDA commodities to provide approved bar codes on all commodities. The switch to bar coding was well on its way.

FNS has responsibility for distributing federally purchased commodities through CSFP and other domestic food programs. But two other USDA agencies—the Agricultural Stabilization and Conservation Service (ASCS) and the Agricultural Marketing Service (AMS)—actually buy the foods. It was important for FNS to work closely with ASCS and AMS on the bar-coding project.

For example, before the special labeling could be added to the packages, bar codes had to be developed to comply with what's called the "Universal Product Code." Steve Miteff, packaging specialist for ASCS, worked on this with the Michigan State University School of Packaging.



After Miteff had coordinated the instructions for adding the bar codes to labels in both ASCS and AMS product specifications, FNS' Food Distribution Division arranged for the codes to be printed on commodity food labels. The first bar-coded labels were printed in mid-1989.

#### **Special computer software needed**

Getting bar codes on labels was just the beginning. A computer software system was needed to read the codes into the CSFP inventory system.

Working together, project coordinators at FNS and Focus: HOPE came up with detailed preliminary plans, developed the needed software, wrote a user's manual, and evaluated the system in an initial demonstration. In the process, they thoroughly researched a variety of systems already used for inventory management.

"We reviewed both government-furnished and commercial inventory management systems," says Linda Hanks, Focus: HOPE project manager. "The software program we finally chose to use was an inventory and certification system developed by a systems analyst from FNS' Southwest region, Jimmie Davis, for the New Orleans,

*At Focus: HOPE's food distribution center in Detroit, Denise Graham brings the CSFP foods she has selected to the check-out counter, where an electronic scanner will "read" the bar codes on package labels.*

Louisiana, Commodity Supplemental Food Program."

Hanks says the system uses a data base which can easily be updated with information on certification and recertification of participants, and inventory changes. "The system runs on an IBM-compatible 'AT' or 'XT' type personal computer with at least a 20-megabyte hard drive," she explains.

"We modified the inventory module to operate with information scanned from the bar codes on the commodities as they are issued to the participants. The system has built-in file backup features and is capable of generating summary reports at any time."

By summer 1989, they had finished modifying the New Orleans program to allow it to accept information gathered by bar code scanners. After field testing at Focus: HOPE in March 1990, the system was ready to be shared with other CSFP managers. FNS' national



office reproduced the modified software program and user's manual and began distributing them free of charge to all CSFP state agencies.

"We had wanted an automated food issuance and inventory system that would be transferable to other CSFP agencies," says Ron Vogel. And that's exactly what they got.

#### **Work continues at Focus: HOPE**

As other CSFP managers begin to work with the new model, Focus: HOPE staff will continue to expand its use at their own CSFP sites. "We have the scanning hardware operating with the computers in our largest center," says Hanks. "The next step will be to get computers operating in all the centers."

Hanks is optimistic about the future of food program automation efforts. Next, she says, Focus: HOPE plans to "network," or link, all the personal computers.

"Data is now written to a diskette as well as the hard drive. Each day we bring the diskette back to the main office and compile totals," she says. Linking the personal computers will eliminate diskette handling and allow program managers to detect duplicate issuance at different sites.

They also plan to use the computers to certify clients so that all the information will be "on-line" and clients may go to any center to pick up their commodities. And, they want to provide clients with bar-coded identification cards so that the client's name and identification number can be scanned rather than keyed into the system.

"The final stage of our automation," says Hanks, "will be what's called 'data collection upload.' We will scan the inventory coming into our warehouse using the bar codes now provided on shipping cartons. We should be able to provide an inventory and distribution report at any time."

And what about staff time? Hanks says bar coding will do what six data entry clerks had done in the past.

"Previously, our data entry was done at night. With those hours, it was difficult to keep the data entry jobs filled," she says. "The new system will mean a shift to better jobs for the data entry clerks."

Hanks is pleased Focus: HOPE was selected as the test site. "It's been rewarding to be part of a project started by USDA and to progress through each step and finally come up with a work-

able system which is accurate, time-saving, and efficient," she says.

#### **Idea may lead to other uses**

Drew and Klecka see expanded uses for bar codes. In fact, they're proposing that the Food Distribution Program on Indian Reservations use bar code issuance as well.

When Denise Graham and other CSFP participants "check out" at Focus: HOPE, they may not be aware of how bar-coding is helping program managers—or of how many CSFP centers may be using it in the future.

But they can see how quickly and easily they get their CSFP foods, and how much of a super supermarket Focus: HOPE has become.

For more information, contact:  
Russ Circo, Regional Director  
Supplemental Food Programs  
Food and Nutrition Service  
50 East Washington Street  
Chicago, Illinois 60602  
Telephone: (312) 353-1608

For more information on obtaining copies of the bar coding software and

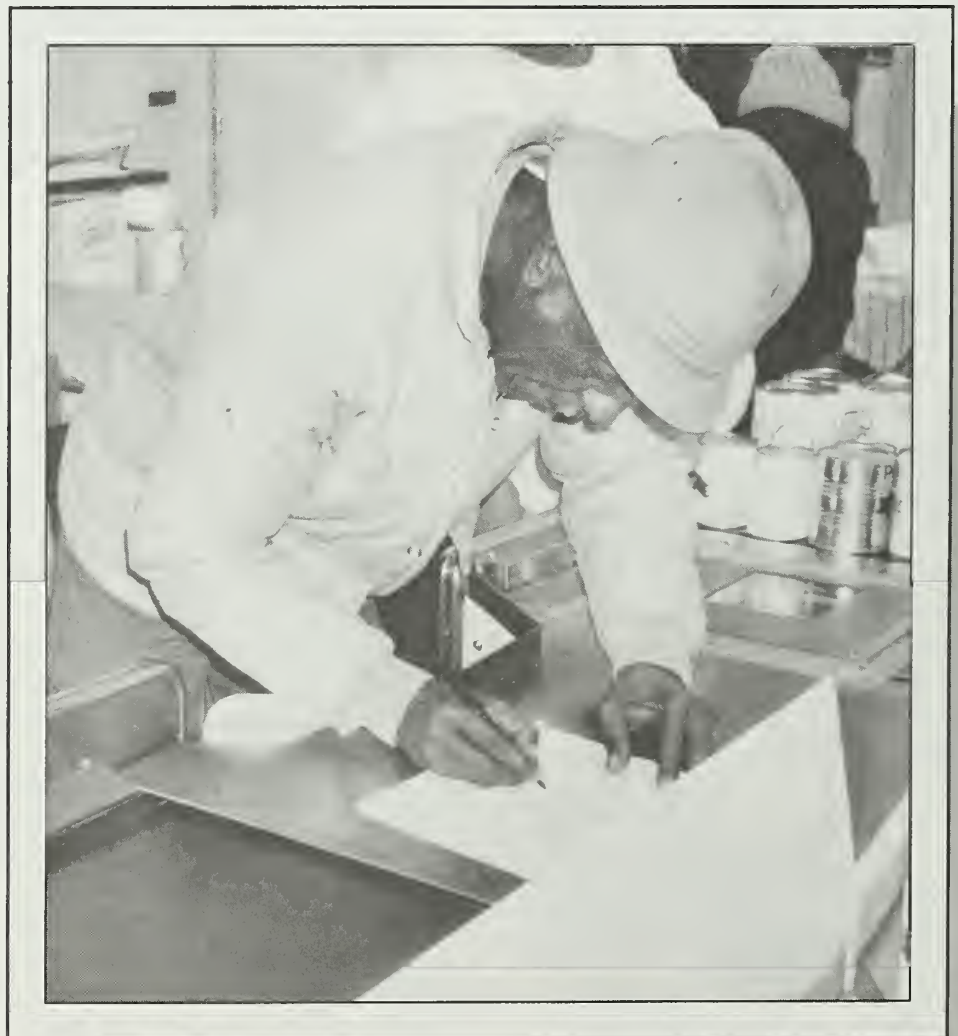
instruction manual, contact:  
Supplemental Food Program Division  
Food and Nutrition Service  
U.S. Department of Agriculture  
Alexandria, Virginia 22302

*article and photos  
by Mary Jane Getlinger*

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*"With bar codes, each food item can be 'read' and counted by an electronic scanner as it leaves inventory. We knew this could improve accountability and help save on administrative costs because staff time would be used more efficiently."*

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*Opposite page: An elderly CSFP participant signs a computer printout after receiving his commodities. Top photo: Focus: HOPE volunteers and staff help load CSFP foods into shopping baskets. Center: FNS food program specialist Mike Drew (left) assists cashier James Rogers. Left: Focus:HOPE program analyst Raminder Sethie, who did most of the modifications needed to include the bar codes, updates some information.*



Children have more time to eat...

# Lunch Lines Are Shorter When Kids Say "Charge It"

Green—Go. Yellow—Warning. Red—Stop. For most of us, these are signals we pay attention to while driving. But for children at Simon Lake Elementary in Milford, Connecticut, these are signals for school lunch.

In what is proving to be a very promising pilot project, students use plastic debit cards instead of cash to pay for lunch in the cafeteria. The premise is quite simple. Children "charge" their lunches to individual accounts, which they prepay either daily, weekly, or monthly.

Besides being faster and easier than collecting money from each child at lunchtime, the plastic cards prevent the overt identification of children who, because of need, receive their meals free or at reduced price. They don't feel embarrassed or afraid of being teased by other children because every child receives the same plastic card.

No one can tell by looking at the card who pays full price, reduced price, or gets lunch free.

## Resemble cards used at banks

The cards resemble those used at automated bank teller machines. They contain the student's name, room number, school, and an identification number. They are called "debit" cards because the cost of the meal is deducted from the student's account as lunch is purchased.

Here's how it works:

At the end of the serving line, students insert their cards into a special "reader" that lights up red, green, or yellow to tell the children how much money they have left in their accounts.

Green means there are enough funds in the account; yellow, the student is going into credit; and red, the student has gone into credit beyond the limit. If the red light signals, an alarm

buzzes and the student takes the card to the cashier for a second look. But, as Milford food service director Edward Huff is quick to point out, even if the light signals red, the student still receives lunch.

"We allow students two meals they can charge without money in their accounts," he explains. "However, this situation doesn't happen often because students have to order meals one day in advance.

"The system is very user-friendly," he adds, "and the kids really like it." The students can insert their cards forward,

backward, or upside down, and the machine can read them.

After the card is read, the machine swallows it. Later in the day, the cafeteria staff will sort out the cards by room so they can be returned to the children. School officials chose to have the cards collected and returned this way because they thought it would be easier for the children than having to keep track of their cards while busy with their lunch trays.

The automated system has won the kids' votes. "I like it," says Heather Hayhurst, age 7. "It's real neat the way it turns colors. And the card is just like a credit card except instead of getting money, you get lunch."

Indeed, it is during lunch that advantages of the system are most visible.

*In go the cards and off go the kids—to eat lunch, that is. Children insert their cards into the special "reader" at the end of the serving line. It's easy, fast, and fun. The cards will later be returned to the children's classrooms.*





**Faster for teachers,  
students, and staff**

"The main advantage is speed," says Meredith Ross, account manager for Prepaid Card Services, Inc.

Huff agrees. "It has expedited our whole serving time," he says. "We've been able to reduce serving time by 6 to 7 minutes a wave."

In fact, speed was one of the reasons Simon Lake Elementary was targeted as the pilot site within the Milford School District, which comprises 12 elementary schools and two high schools.

"It has the most students participating in the school lunch program, and we knew if this system worked here it would work in the other schools," says Huff. He anticipates the debit cards will be in place in all 12 elementary schools within the next 2 years.

The new system at Simon Lake Elementary is easier for everyone involved. Before, every morning teachers had to fill out a form with the child's name and indicate paying status (in other words, whether the child would be paying full price, reduced price, or receiving a free meal) and the student's menu choice.

They collected the money and sent it down to the cafeteria, where food service staff recorded the payment. At lunch time, students' names were called from a roster and checked off as each child received the meal. The process was time consuming for teachers and cafeteria workers and provided little time for students to eat.

With the computerized system, every child's name is preprinted on a form by classroom. Teachers still check off menu selections and collect money, but when the money and forms go to the cafeteria, the information is entered into the computer.

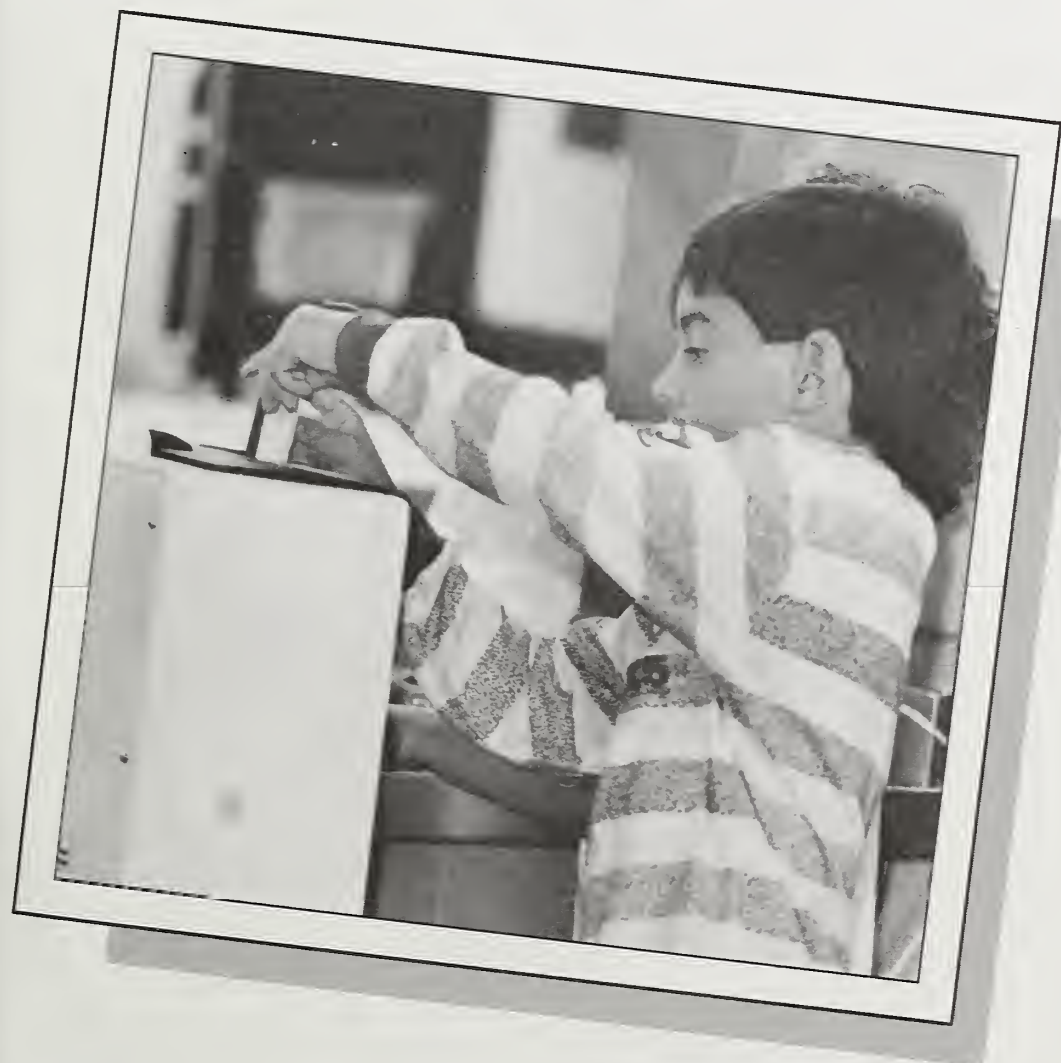
The appropriate plastic debit cards for the students who will be receiving lunch that day are then sent back to the classrooms. When students come to the cafeteria for lunch, they simply go through the serving line and put their cards into the reader. There's no longer any need to call out students' names and check them off.

"The new system is a tremendous time saver," says Huff. "First and foremost, for teachers, it takes less time away from teaching. It also expedites meal serving times and cuts down on paperwork, which allows cafeteria

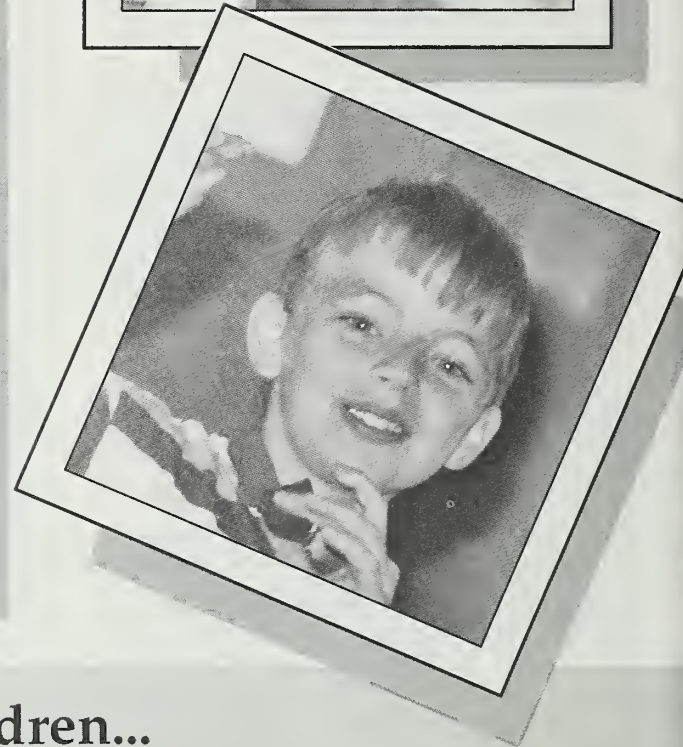
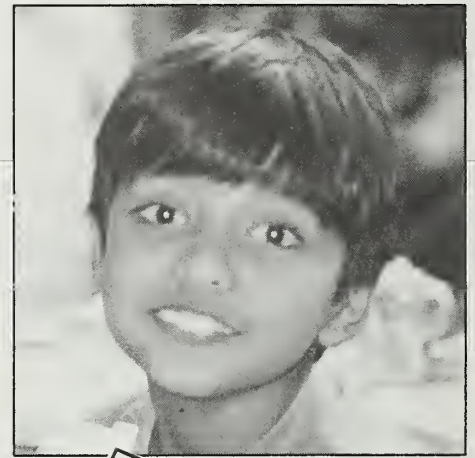
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*"We've been able to reduce serving time by 6 to 7 minutes a wave....More students are participating because they now have time to eat."*

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## Less paperwork means more time for children...

Schools across the country are combining creativity and technology to streamline and improve food service operations. Here are a few additional examples from some other states:

Like Lake Simon Elementary in Connecticut, Holy Family School in Denver has a new automated system that's making it easier to prevent the overt identification of children receiving free and reduced-price meals.

Each student gets a laminated, bar-coded identification card. When the card is scanned at the end of the lunch line, participation for lunch or breakfast is tallied by payment category.

Since the child's paying category is indicated within the coding, overt identification of children not paying full price is avoided. Besides protecting children's privacy, the system makes it simple for food service staff to do accurate meal counts.

Eventually, the school's automated system will be used to help with menu planning and to keep even more sophisticated records. The computer will record the menu item and number of

children to be served, calculate the necessary quantities for required portion sizes, and maintain inventory records.

Holy Family School developed its automated system while participating in a pilot project set up by the Food and Nutrition Service's Mountain Plains regional office (MPRO). MPRO, which administers school lunch and breakfast programs in private schools in the Denver area, initiated the project in 1989 to help these schools computerize their food service operations.

Virginia Gabriel, food service director at Holy Family School, has worked closely with regional staff and the private contractor (SNAP Systems, Inc., of Santa Monica, California) selected to develop the software program.

For more information, contact:  
Virginia Gabriel  
School Food Service Director  
Holy Family School  
4343 Utica Street  
Denver, Colorado 80212  
Telephone: (303) 477-2523

When Jane Hentzler, district

school food service director for Council Bluffs, Iowa, tells you what she can do with her new automated system, you'd better be ready for a long, long list.

The system keeps track of inventory, production records, and meal counts; helps staff assess bids submitted by vendors and food processors; does a nutritional analysis of meals in accordance with federal standards set by USDA; and determines children's eligibility for free and reduced-price meals based on information—such as household size and income—provided on applications.

The way the software components "interface," or work together, allows Hentzler to analyze bids from selected vendors and print invoices.

The Council Bluffs cycle menu is entered into the computer, along with the number and age (elementary or high school) of students to be served. The computer calculates how much of a particular food or ingredient is needed. The amount used is automatically subtracted from inventory.

The meal count procedure in Council Bluff schools is also simple. Each child



workers to put more time back into the kitchen."

And, Huff has found an unexpected but welcome benefit—more children are eating school lunches.

"There has absolutely been an increase in participation," says Huff. "Initially, I think it was the novelty of the cards, but now it's because we are able to feed the students faster. They are able to go through the line as quickly as they are able to pick up their food. More students are participating because they now have time to eat."

### **Keeping accurate records is easier**

Card systems have gained popularity in the last 2 years in part because of new federal management requirements for school lunch programs, according to computer company officials.

Janet Brantley, school lunch coordinator for the Connecticut State Board of Education, says that with the state's more stringent regulations on how schools count their meals, it's essential for schools to keep accurate records. She praises the card system, saying it offers greater accountability.

"It has improved the accuracy of our records," says Huff, "and it has significantly reduced the amount of time spent on paperwork." It used to be time-consuming for food service staff to count checkmarks to determine the number of free, reduced-price, and full-price meals. The computer provides this information in seconds.

Information gathering will be even easier as the district continues to develop the system's capabilities.

"Eventually," says Huff, "we will have the data transferred via modem into the central office so that each morning when we come in, we will know how many meals were served in all the schools the day before. This will save us time in the central office and it will save kitchen time, too," he says.

Card systems have also proven their applicability in other ways. For example, in some school districts, the plastic cards are also used by the students to check out library books or by cafeteria workers as timecards for the payroll system.

### **Parents like new approach**

The Milford School District seems to have found a system that meets the approval of teachers, students, school administrators, and cafeteria workers. At the same time, it has expedited service, improved program accountability, and increased school lunch participation.

But perhaps the bottom line is best summarized by a parent who says she no longer has to worry that her children are spending their lunch money on "junk" food. She knows they'll be getting nutritious meals—they've already paid for them!

For more information on Milford's prepaid card system contact:  
Edward Huff  
District School Food Service Director  
Board of Education  
Parsons Government Center  
70 West River Street  
Milford, Connecticut 06460  
Telephone: (203) 783-3500

*article and photos  
by Cynthia Tackett*

gets a numbered card, and a staff member punches the number into a terminal as the child passes by.

The software was obtained from Banking and Business in Shreveport, Louisiana, and is compatible only with IBM computers. Support is furnished on the local level by IBM in Iowa.

For more information, contact:  
Jane Hentzler  
Food Service Director  
Council Bluffs School District  
12 Scott Street  
Council Bluffs, Iowa 51503  
Telephone: (712) 328-6418

The system used by Cherry Creek elementary schools in Denver also has "lots of bells and whistles," according to district school food service director Marilou Smith.

Her "Practicare" software generates vendor orders, keeps track of inventory, analyzes recipes and menus for compliance with nutrition standards, and even does bar graphs to show which lunch requirements have or have not been met.

Lunch lines are automated, too.

Each student has an account, which is credited and debited as funds are received from parents or lunches are served.

Parents feel comfortable with the system and frequently call to find out what their child's "balance" is, sending in more money if needed.

In Cherry Creek schools, teachers keep track of lunch cards. As a group of students goes through the line, each child's card is removed from a box and its bar code is read with a wand.

For more information, contact:  
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Cherry Creek School District  
4850 South Yosemite  
Englewood, Colorado 80111  
Telephone: (303) 773-2953, Ext. 4675

In all of these examples, specially tailored software packages are reducing paperwork to a minimum, making accountability easier and, most important, giving lunch directors more time to focus on meal service.

*article by  
Joanne Widner*





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